Approved For Release 2007/02/07 : CIA-RDP79T00975A030100010010-5

ROUTING			
TO:	NAME AND ADDRESS	DATE	INITIALS
1	HR		
2			
3			
4			

	ACTION		DIRECT REPLY		PREPARE REPLY
	APPROVAL		DISPATCH		RECOMMENDATION
	COMMENT		FILE		RETURN
	CONCURRENCE		INFORMATION		SIGNATURE

REMARKS:

FROM: NAME, ADDRESS, AND PHONE NO.	DATE

Top Secret 217

(Security Classification)

CONTROL NO. [ ] 25X1

[ ] 25X

Access to this document will be restricted to
those approved for the following specific activities:

NATIONAL INTELLIGENCE DAILY CABLE

Friday May 6, 1977 CG NIDC 77-105C

[ ] 25X1

NATIONAL SECURITY INFORMATION
Unauthorized Disclosure Subject to Criminal Sanctions

State Dept. review completed

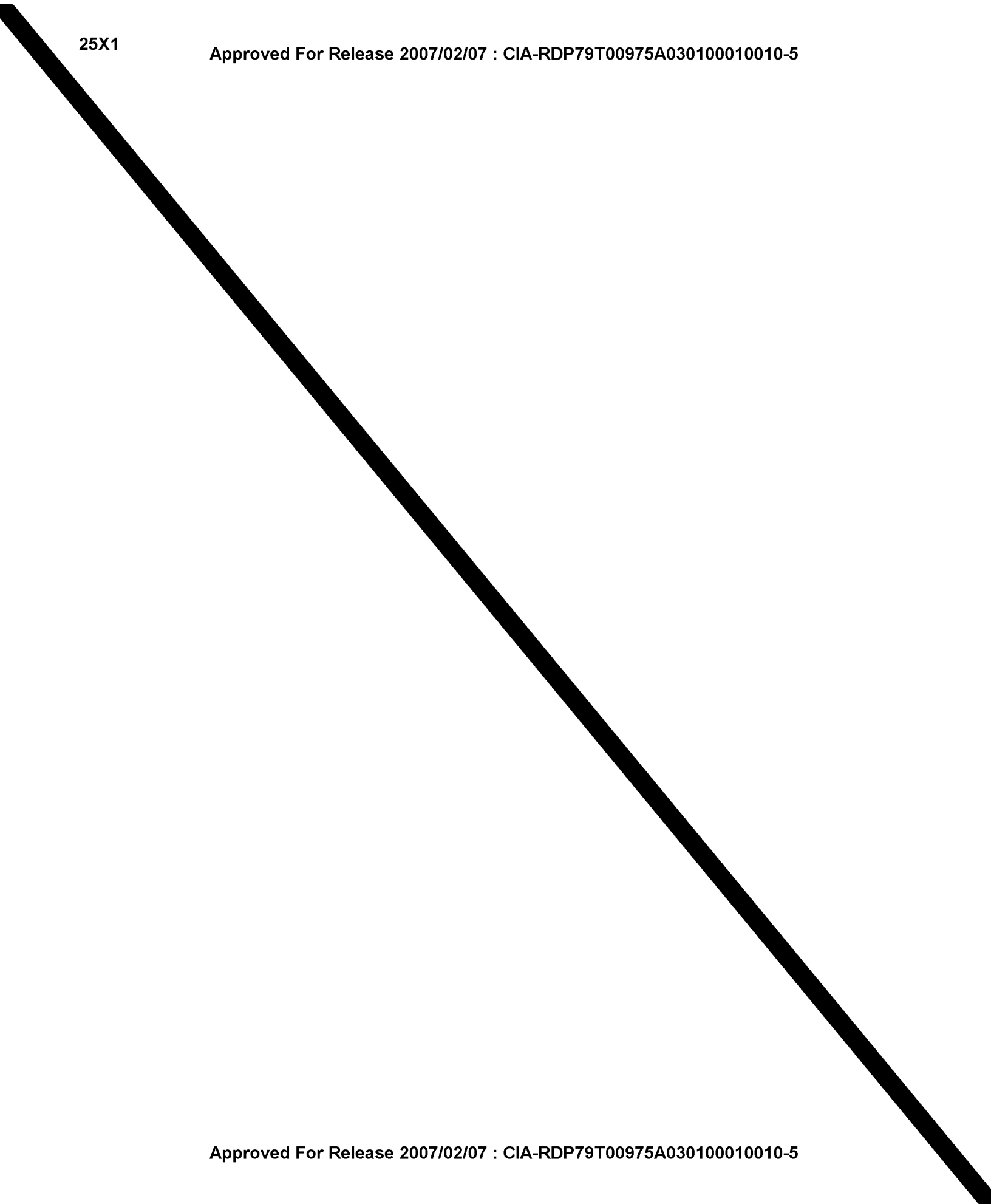
Top Secret

(Security Classification)

Approved For Release 2007/02/07 : CIA-RDP79T00975A030100010010-5 25X1

25X1

Approved For Release 2007/02/07 : CIA-RDP79T00975A030100010010-5



Approved For Release 2007/02/07 : CIA-RDP79T00975A030100010010-5

Approved For Release 2007/02/07 : CIA-RDP79T00975A030100010010-5

25X1

25X1

National Intelligence Daily Cable for Friday, May 6, 1977.

25X1

The NID Cable is for the purpose of informing senior US officials.

CONTENTS

SOMALIA: A Move Away From Moscow Page 1

ITALY: Political Violence Page 3

25X1

25X1

PAKISTAN: Opposition Proposals Page 9

CZECHOSLOVAKIA: Seeking its First US Bank Loan Page 10

25X1

FRANCE: Barre's Political Problems Page 11

BANGLADESH: Referendum Page 13

PERU: Anchovy Fishing Suspended Page 13

BRAZIL: Manipulating Coffee Market? Page 14

Approved For Release 2007/02/07 : CIA-RDP79T00975A030100010010-5

25X1

25X1

Approved For Release 2007/02/07 : CIA-RDP79T00975A030100010010-5

SOMALIA: A Move Away From Moscow

25X1 //*Somali President Siad, angered by the Soviets' moves toward closer relations with Ethiopia, is directing a diplomatic offensive to see what support he might find in the West and the Arab world to replace Somalia's heavy dependence on the USSR.*//

25X1 //Somalia would like, at a minimum, to reduce its total dependence on the USSR by improving relations with the US and the moderate Arab states. We believe the Somalis are prepared to give serious consideration to a major reorientation of their foreign policy, but they first will weigh carefully the US and Arab responses to current overtures for economic and military aid.//

25X1 //A combination of substantial Arab economic assistance--which Saudi Arabia is prepared to offer--and even limited US economic and military assistance probably would provide sufficient inducement to Somalia to improve relations further with the West and the moderate Arabs.//

25X1 //Siad would also welcome the chance to serve notice on the USSR that Somalia can acquire aid from other sources. The Somalis will not consider breaking their military ties with the Soviets, however, until they are assured of receiving equivalent military assistance from other sources. The Somalis have purchased some $300 million in military equipment since the 1960s.//

25X1 //The Somalis have stated that they are prepared to "go all the way" with the US, provided the US offers a real alternative to Soviet military aid, but we believe this assertion is an exaggeration. The Somalis probably realize that neither the US nor any other country is likely to offer immediate, massive military assistance; therefore they have nothing to lose by making such statements. Somalia may reason that holding out the prospect of a major shift in foreign policy in return for substantial military aid places on the US the burden of making the next move.//

25X1 //We believe that Somalia would accept an offer from the US or another country of military assistance equal to

25X1

Approved For Release 2007/02/07 : CIA-RDP79T00975A030100010010-5

25X1 Approved For Release 2007/02/07 : CIA-RDP79T00975A030100010010-5

that provided by the Soviets. The Somalis would probably opt for a gradual shift from reliance on Soviet equipment in order to limit a deterioration in military capabilities during the changeover. A gradual changeover would allow personnel to receive training in the use of the new weapons as well as permit the armed forces to absorb new military doctrines.//

25X1 //President Siad would have to consider carefully the military's response to such a shift. We believe the military supports Siad's policy of lessening dependence on the Soviets, but it would not support dramatic changes that seriously threatened the armed forces' effectiveness, particularly its ability to maintain a credible threat against Ethiopia.//

25X1 //Siad would also be cautious about dispensing too abruptly with the important services provided by the 2,000 Soviet economic and military advisers in Somalia, and he would try to maintain diplomatic and trade relations with Moscow.//

25X1 //Siad might require the US or any other country attempting to replace the USSR as Somalia's military supplier to guarantee emergency deliveries of equipment if the Soviets, realizing that a shift was under way, refused to deliver additional equipment or spare parts.//

25X1 //The pro-Soviet members of the ruling hierarchy are probably not strong enough to block a shift in Somali policy or to move against Siad. Despite the pervasive Soviet presence in Somalia, any Soviet attempt to weaken the regime because of Siad's moving away from Moscow would probably be counterproductive.//

25X1 //Somalia's irredentist policies pose a problem for any country that becomes Mogadiscio's arms supplier. The country would risk becoming identified with Somalia's pursuit of its territorial ambitions against Ethiopia, the French Territory of the Afars and Issas, and Kenya. Siad would reject any attempt by a foreign government to restrain his pursuit of these policies as the price of receiving arms. 25X1

25X1 Approved For Release 2007/02/07 : CIA-RDP79T00975A030100010010-5

25X1

Approved For Release 2007/02/07 : CIA-RDP79T00975A030100010010-5

ITALY: Political Violence

25X1 *Fears among Italians that the country may be headed for anarchy have made public order Italy's most important domestic issue. The widespread alarm over the problem is a major factor pushing the Christian Democrats and Communists toward closer political cooperation, which many Italians believe is a condition for a crackdown on left- and right-wing extremists.*

25X1 Italy has for years experienced sporadic outbursts of political violence, usually coinciding with elections or other key political events. Lately, however, the violence has become more persistent and pervasive. Since last fall, for example, cases of kidnaping, armed attacks, and bombings have risen steadily, concentrated increasingly on government and public institutions and on business and industrial establishments. Although student unrest has contributed significantly to the increase, the incidents are mainly the work of left- and right-wing extremist groups outside the regular parties.

25X1 Two incidents this week dramatized the problem and illustrated the extent to which Italians have begun to feel intimidated by violence. In Turin, a trial of left-wing terrorists had to be postponed indefinitely after prospective jurors refused to serve for fear of retaliation. And in Milan, recently captured members of one of Italy's most notorious urban terrorist groups--awaiting trial on charges of kidnaping, robbery, and the murder of several policemen--escaped easily from the local prison.

25X1 In response to growing concern on the part of both the public and political leaders, Prime Minister Andreotti this week held a meeting with the heads of all police and security services and the various ministers concerned with public order. In putting together a legislative package, the government will draw largely on suggestions made during the meeting, which include:

--Extending existing anti-Mafia legislation to permit exiling common and political criminals to remote parts of Italy.

25X1

Approved For Release 2007/02/07 : CIA-RDP79T00975A030100010010-5

25X1

Approved For Release 2007/02/07 : CIA-RDP79T00975A030100010010-5

--Creating special panels of magistrates to serve as juries in terrorists' trials.

--Tightening prison security and gun controls.

--Improving police equipment and intelligence services.

--Coordinating all police and security services under the Interior Ministry.

25X1 The Christian Democrats will need Communist help to pass tougher law-and-order measures, and the Communists seem ready to cooperate. Many Communists now appear inclined to favor a crackdown on the radical left, which is becoming an increasingly disruptive force in the Communist-dominated trade unions. The Communists are also concerned that a continuing deterioration of public order could trigger some sort of right-wing reaction that would set back the Communist campaign for government membership. As a result, tough law-and-order measures and cooperation with the Christian Democrats against the extreme left appear to be an important objective for many Communists leaders.

25X1 The Christian Democrats have been hoping eventually to revive their alliance with the Socialist Party in order to escape dependence on the Communists. At least on the law-and-order issue, however, the Socialists seem less able than the Communists to deliver support, despite the recent unsolved kidnaping of former Socialist leader De Martino's son. Many Socialist leaders see a need to give the police more power, but much of the rank and file is sharply opposed to the police and military and to any infringement of individual liberty.

25X1 Many Socialists also seem more inclined than the Communists to take seriously the theory that much of the terrorism is deliberately tolerated, or even encouraged, by the Christian Democrats in order to win votes for conservative parties and to justify a crackdown on the left.

25X1 Political violence is doubtless a central issue in the discussions on government programs that the Christian Democrats began yesterday with the Communists, Socialists, and

25X1

Approved For Release 2007/02/07 : CIA-RDP79T00975A030100010010-5

25X1 Approved For Release 2007/02/07 : CIA-RDP79T00975A030100010010-5

other parties supporting Andreotti indirectly through parliamentary abstention. The Communists hope to use these talks to gain a formal role in government policymaking--a development the party would view as an important step toward cabinet status.

25X1 A failure by the government to stem the growth of violence would lead to renewed calls from the left for a "national emergency" government involving direct Communist participation. 25X1

25X1

25X1 Approved For Release 2007/02/07 : CIA-RDP79T00975A030100010010-5

25X1

Approved For Release 2007/02/07 : CIA-RDP79T00975A030100010010-5

Next 2 Page(s) In Document Exempt

Approved For Release 2007/02/07 : CIA-RDP79T00975A030100010010-5

Approved For Release 2007/02/07 : CIA-RDP79T00975A030100010010-5

25X1

25X1

PAKISTAN: Opposition Proposals

25X1 *Pakistani Prime Minister Bhutto told newsmen yesterday that the opposition's proposal for ending the political crisis would only add to the confusion in Pakistan, but he has not formally rejected the plan. Today, the opposition will take to the streets in the first real test in two weeks of its campaign to bring down Bhutto.*

25X1 The formal 32-point proposal the opposition sent to Bhutto differed in one important respect from the compromise described earlier by opposition leaders. The opposition had earlier indicated that it could approve Bhutto's heading a coalition government until a new election. The 32-point proposal drops the original demand that Bhutto resign immediately but would require his resignation 30 days before an election.

25X1 The press is indicating that the issue of Bhutto as head of an interim government is still negotiable, but Bhutto may have decided that his accepting the 32 points would be equivalent to total surrender.

25X1

Approved For Release 2007/02/07 : CIA-RDP79T00975A030100010010-5

25X1

Approved For Release 2007/02/07 : CIA-RDP79T00975A030100010010-5

25X1 The nationwide demonstrations scheduled for today follow two weeks of relative calm in which the only important opposition effort was a generally unsuccessful demonstration in Rawalpindi last Saturday. Both sides presumably believe today's effort could be crucial to the opposition's campaign, and the government has already reimposed curfews in some cities and rounded up more opposition leaders. 25X1

25X1

CZECHOSLOVAKIA: Seeking its First US Bank Loan

25X1 *Czechoslovakia is planning to raise a $150-million syndicated bank loan this summer and for the first time has asked US banks to participate. Two US banks, a French bank, and two British banks have been asked to form a consortium to make the loan. The period probably will be five years, but we do not know the rate of interest.*

25X1 This would be the third syndicated loan for Czechoslovakia in less than two years. Previous syndications were for $60 million in December 1975 and $200 million in September 1976. Each loan was for five years at 1.25 percent over the London interbank offered rate.

25X1 Although the consortium for the second loan was initiated by West German banks, the West Germans are not participating in the new syndication. Prague asserts that the West Germans did a poor job in managing the $200-million syndication. More likely, West German bank terms would be stiffer than the Czechoslovaks are willing to pay.

25X1 Dresdner Bank--West Germany's second largest--refused offers to participate in the $200-million loan because its officials considered the terms unattractive. Czechoslovakia apparently believes that US bankers may be more flexible, perhaps in their willingness to write off some concessions as entry costs to open a new market.

25X1 Czechoslovakia's Eurocurrency borrowing is probably related to the country's large hard-currency trade deficits in recent years. Czechoslovakia has depended mainly on Western

25X1

Approved For Release 2007/02/07 : CIA-RDP79T00975A030100010010-5

25X1 Approved For Release 2007/02/07 : CIA-RDP79T00975A030100010010-5

government-guaranteed credits and West German supplier credits to finance its trade, but these sources now may not be sufficient to cover the total deficit as well as meet debt-service obligations.

25X1 In 1976, Czechoslovakia reported a $613-million trade deficit with the developed West, following deficits of $581 million in 1975 and $394 million in 1974. The deficit with the West is only partly offset by a hard-currency trade surplus with developing countries.

25X1 Czechoslovakia's credit rating is still good, according to Western bankers. We estimate the country's hard-currency debt at the end of 1976 at $2.1 billion and the ratio of its debt service to exports to the developed West at 30 percent--the lowest in Eastern Europe. 25X1

25X1

FRANCE: Barre's Political Problems

25X1 *The reluctant and highly qualified vote of confidence that the Gaullist party gave last week to the second stage of French Prime Minister Barre's economic stabilization*

25X1 Approved For Release 2007/02/07 : CIA-RDP79T00975A030100010010-5

25X1 Approved For Release 2007/02/07 : CIA-RDP79T00975A030100010010-5

program has not strengthened the Prime Minister's hand. Neither the Barre plan nor any other series of purely economic measures is likely to unify or rally the governing coalition before the crucial legislative election next March.

25X1 The party's leaders have delivered blistering attacks on the plan. Gaullist spokesman Labbe went so far as to state in the National assembly that the party has lost all confidence in the government's ability to handle the political and psychological aspects of France's economic problems. Labbe's statement came as close to a motion of censure as his party could without voting such a move.

25X1 Barre's cautious, balanced set of limited economic measures sharply disappointed those deputies who had hoped for a dramatic program that would improve their chances in the election next March. The Gaullists believe Barre's economic plan neglects the human factor. Among other things, they would apparently like to see a massive economic stimulus program and a halt to the kind of restructuring of industries that could lead to massive layoffs.

25X1 In a televised interview last Friday, President Giscard reaffirmed his confidence in Barre and implied that the government would use constitutional measures to thwart any Gaullist attempt to challenge the government. The Gaullists do not see any advantage in bringing the government down, and this hobbles their efforts to disassociate themselves from government policies they believe to be unpopular.

25X1 The reaction of organized labor to the Barre plan ranges from qualified acceptance to outright hostility. The government's rigidity in its economic policies, combined with its internal disarray, has apparently had a profound effect in union circles. Members of the Communist-dominated labor federation are strategically placed among the relatively well-paid and job-secure workers in nationalized industries, and the federation is trying to exploit the situation to get other unions to join an antigovernment front.

25X1 The federation is strongly motivated to keep its workers in line lest unruly demonstrations frighten off potential voters and hurt the left's chances of gaining power in
25X1 1978.

25X1 Approved For Release 2007/02/07 : CIA-RDP79T00975A030100010010-5

25X1 Approved For Release 2007/02/07 : CIA-RDP79T00975A030100010010-5

BANGLADESH: Referendum

25X1 *//Several leftist political parties in Bangladesh, including the left wing of the once powerful Awami League, are organizing a vote against President Zia in the referendum he has scheduled for May 30,* 25X1

25X1 *The referendum will be a simple vote on Zia's continuing as president. The Leftists reportedly hope that a poor showing by Zia will force him to hold a national election sooner than the December 1978 deadline he has announced.//*

25X1 //Zia has been campaigning hard since he became president last month--he continues to hold the post of chief martial law administrator. His speeches outlining his future program have been well received, and his popularity, including among the military, seems undimmed by his assumption of total authority. He should also be helped by the inability of the factionalized Bangladeshi parties to work together.//

25X1 //The Awami League still has a national organization, however, and should smaller parties join in opposing him, Zia could face a stiff fight to win the large vote margin he desires. 25X1

PERU: Anchovy Fishing Suspended

25X1 *Peru has indefinitely suspended anchovy fishing in all but the country's southernmost fishing zone, citing a severe scarcity of anchovies this season. The consequent reduction in fishmeal production will worsen Peru's already precarious balance-of-payments situation and will further increase pressure on world soybean prices--and eventually on meat prices.*

25X1 During normal years, the Peruvian anchovy catch and its processing account for almost two fifths of world fishmeal output, making Peru the world's largest fishmeal producer. Even if normal anchovy fishing can be resumed later this year, world fishmeal supplies will fall by at least 10 percent for 1977. If anchovy fishing is suspended throughout 1977, world fishmeal supplies could fall by as much as 25 percent.

25X1 Approved For Release 2007/02/07 : CIA-RDP79T00975A030100010010-5

25X1

Approved For Release 2007/02/07 : CIA-RDP79T00975A030100010010-5

25X1 Fishmeal and soybeans are the major sources of protein supplement used in livestock feeds. Peruvian fish failures in the 1972-1973 season contributed to record prices for soybeans, feed grains, and meats. Fishmeal prices had already climbed 20 percent in the first quarter of 1977 following the increase in soybean prices and the reduced Peruvian anchovy catch last fall--mainly because of a prolonged labor strike. With low Peruvian inventories and the current ban on anchovy fishing, much higher world fishmeal prices are likely.

25X1 Reduced fishmeal output this year could cut Peru's foreign exchange earnings by $100 million to $300 million, raising the current-account deficit by 20 to 50 percent. The shortfall in export earnings could almost double the amount of additional balance-of-payments support loans needed by Peru this year, adding increased urgency to the need for the standby loan now being negotiated with the International Monetary Fund.

25X1 Peru's National Oceanographic Institute blames the dwindling anchovy shoals on poor weather. During the past year, sea temperatures have been about 2 degrees centigrade above normal. Warmer ocean currents have prevented the normal development of plankton--the microscopic organisms eaten by anchovies.

25X1

BRAZIL: Manipulating Coffee Market?

25X1 *Speculation that Brazil is maneuvering to maintain upward pressure on world coffee prices has followed Brazilian reports that bacterial disease and coffee pests pose an increasingly serious threat to this year's crop. So far, these reports have had no noticeable effect on coffee prices in major commodity markets.*

25X1 Last week, two leading Brazilian newspapers reported that the head of the Brazilian Coffee Institute had lowered estimates for the 1977-1978 crop by 10 percent because of crop damage caused by a coffee pest. In addition, Brazilian agronomists have asserted that an indigenous bacterial disease of coffee trees, first not 20 years ago, has reached epidemic proportions in the northeast and has also appeared farther to the south.

25X1

Approved For Release 2007/02/07 : CIA-RDP79T00975A030100010010-5

25X1 Approved For Release 2007/02/07 : CIA-RDP79T00975A030100010010-5

25X1 These allegations conflict with recent observations by the US agricultural attache and by a foreign agricultural service coffee specialist. Both reported, after a two-week trip last month through Brazil's major coffee-producing areas, that the coffee trees were in generally excellent condition. They did not notice any bacterial or pest damage and predicted that the coffee yield would reach around 17.5 million bags--almost double last year's unusually low, frost-damaged crop.

25X1 The Brazilian claims of damage have also been treated with skepticism by the London press. Prices on both the London and US markets, which usually reflect crop prospects, have continued to decline, indicating an expectation of a good yield.

25X1 In the past, suspicions regarding the Brazilians' motives and the validity of their crop reports have been prompted by manipulations of information and lobbying by the Brazilian Coffee Institute. This semi-autonomous government agency, which regulates Brazil's coffee trade, has sometimes masqueraded as an independent producers' organization in order to publish propaganda favorable to Brazilian interests. 25X1

25X1 Approved For Release 2007/02/07 : CIA-RDP79T00975A030100010010-5

Approved For Release 2007/02/07 : CIA-RDP79T00975A030100010010-5

Approved For Release 2007/02/07 : CIA-RDP79T00975A030100010010-5